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SALES & MARKETING MANAGEMENT

JUNE 1988
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AMERICA'S BEST SALES FORCES

Which companies do sales executives
e first in their fields? Our exclusive annual
survey provides the answers.

JUNE 1988
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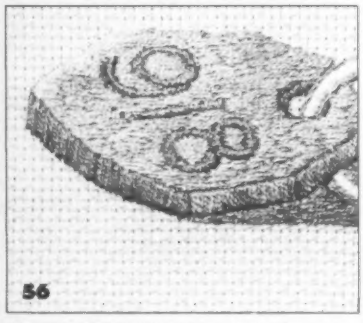
SALES & MARKETING MANAGEMENT



COVER PHOTOGRAPH BY TOM GRILL/COMSTOCK

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EDITOR'S SIDE POCKET

HOW GOOD ARE THE BEST?

The best writer can write a bad story. The best restaurant can serve a poor meal. The best relief pitcher can have a disastrous inning. The best comedian can lay an egg. The best salesman can botch up a deal.

And yet, despite such falls from perfection, we love to believe in the idea of best. Which is why, of course, there are lists . . . of best writers and restaurants and pitchers and salesmen.

And lists continue to proliferate. Even as I wrote this, I received in the mail *California Business*'s "California's Top 500 Companies" and the *Washington Journalism Review*'s "America's Best Journalists" list.

Given the obvious limits of "best" lists, what accounts for the surpassing interest in them? For one thing, I suppose, they offer the possibility of absolutes in an exceedingly relative world. It's the same reason I turn to the sports section first when I open the newspaper. My consuming passion for sports has long since abated, but the habit persists. It's not just the tumult and the shouting that I like, it's the fact that there clearly are winners and losers. I like to see black and white because I know the rest of the paper will be made up of shades of gray. For me, the sports pages also represent stability and order in a world that has become increasingly unstable and lacking in order. Then, too, the "best" lists bring things down to a human level. We argue about "bests" even when we disparage them.

These ruminations are brought about by our main cover story: "America's Best Sales Forces." Does the world really need another list? I'd say yes—for two reasons. First, it's a way of recognizing a group of people who often are ignored or get short shrift from the press and the world at large. Look at any ranking of occupations; I'm sure you won't find salesmen near the top. Does the public still think of Willy Loman as the archetypal salesman? Or is it some fast-talking sharpie who sells inferior products that people don't need at a price they can't afford? Our list recognizes those who by their example demonstrate their self-worth and the worth of their profession.

Our list is also significant because it's compiled not by journalists in their aeries but by the people who know you best—your peers. We and other business journalists must know something about your problems, or else we couldn't publish magazines that speak to your interests. At the same time, I'd have to concede that, after yourself, nobody knows your sales and marketing problems—your successes and failures—better than your competitors. In our survey, peers judge peers. That's why our "best" list gains more prestige every year.

What does it take to be best? Leadership, of course, and having the right people. But how do the best sales forces get them? Do the best companies raid other companies within their industries when they're recruiting? How much does it cost them to train a recruit, and how long before he's expected to be productive? We'll answer such questions in an upcoming issue. But let's not rush things. Better, instead, to take a fleeting moment to honor the best; after all, in today's seesaw business climate, their moment may be fleeting, too.

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AUTOMATION

HOME COMPUTERS: CLASS WILL TELL

Marketers who see PCs in the home as a potential advertising medium will deal with an audience that's stratified along racial, income, and educational lines. At least that's the profile drawn by a Census Bureau report based on a 1984 survey.

White adults 18 years and older are more than twice as likely to have a computer at home than blacks or Hispanics.

Younger people are much more computer aware than adults. Three-fourths of those 3 to 17 years old with computers in the home use them. While white youth were more addicted to video games, their black counterparts were more likely to use the machines for school work. However, white youth are three times as likely to have a computer in the home than black youth.

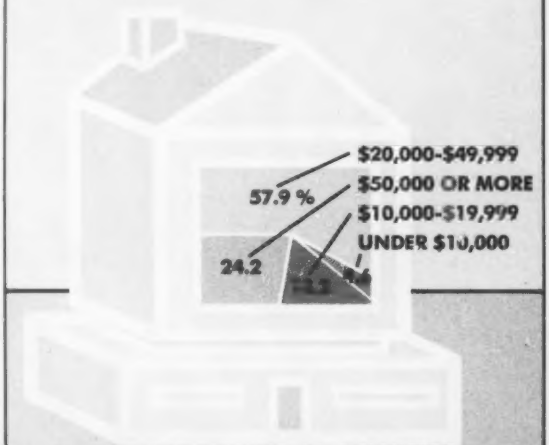
Income differences are not surprising: One in five families with incomes of $50,000 or more have a computer, while fewer than two in 100 families with incomes under $10,000 have one.

Educational differences are sharp, too. The higher the degree of education, the greater the correlation of families with computers.

Tom Miller, head of the work-at-home program at Link Resources, a New York City research firm, thinks "lower prices and easier to use machines have broadened the home computer market considerably" since 1984. He adds that his firm's annual work-at-home survey found computers "in more than twenty percent of households," compared to the 8.9% reported by the Bureau. □

An Upscale Market

% OF COMPUTER HOMES BY INCOME



NOTE: MAY NOT ADD TO 100% DUE TO ROUNDING.
SOURCES: CENSUS BUREAU, *COMPUTER USE IN THE U.S.: 1984*, SERIES P-23, NO. 155; *SALES & MARKETING MANAGEMENT* CALCULATIONS.

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Philip Kotler, J. L. Kellogg Graduate School of Management, Northwestern University

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AMERICA'S BEST SALES FORCES

BY AL URBANSKI

PHOTOGRAPH BY TOM GRILL COMSTOCK

Parity. It's a word that we've been reading a lot lately on sports pages in relation to the unprecedented evenness of competition in the National Football League and college basketball. Now, according to the ratings of respondents to *Sales & Marketing Management*'s 1988 survey of America's best sales forces, parity is spreading to business's premier field of competition.

For the first time in the four years this survey has been conducted, not one of the 100 companies included in the industry rankings scored below 5.00 on its 1.00 to 10.00 scale of poor to excellent. By the same token, no company established itself as an out-and-out industry leader of sales proficiency as some did last year. Indeed, not one company even achieved a score of 7.00. The most admired single company in this year's tally was Goodyear Tire & Rubber with an overall rating of 6.91.

Sales experts across the nation have spoken, and what they've said is that the players are as evenly matched as they have ever been.

The field work and tabulations for *Sales & Marketing Management*'s 1988 survey were completed earlier this year by the Simmons Market Research Bureau, which sent questionnaires to approximately 1,000 sales

Best Sales Force Survey

INDUSTRY RANKINGS

INTERPRETING THE SCORES
Survey respondents were asked to rate each of the top 10 companies in their own industries on seven selling

TEXTILES

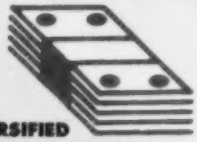
RANK		SCORE
1.	Burlington Industries	6.52
2.	Fieldcrest Cannon	6.49
3.	J.P. Stevens	6.48
4.	Armstrong World Industries*	6.46
5.	West Point-Pepperell	6.38
6.	Collins & Aikman	6.35
7.	Springs Industries	6.16
8.	Shaw Industries*	5.89
9.	DWG*	5.85
10.	United Merchants & Manufacturers	5.83

GLASS & BUILDING MATERIALS

RANK		SCORE
1.	Corning Glass Works	6.69
2.	Owens-Corning Fiberglas	6.65
3.	PPG Industries	6.47
4.	Owens Illinois	6.38
5.	USG	6.33
6.	CertainTeed	6.16
7.	National Gypsum	6.00
8.	Norton	5.97
9.	Jim Walter*	5.85
10.	Manville	5.72

PUBLISHING & PRINTING

RANK		SCORE
1.	Dow Jones	6.35
2.	New York Times	6.26
3.	Time, Inc.	6.23
4.	McGraw-Hill	6.11
5.	Tribune Co.	6.05
6.	R.R. Donnelly & Sons	6.04
7.	Times Mirror	5.91
8.	Gannett	5.90
9.	Knight Ridder*	5.79
10.	Washington Post	5.63



DIVERSIFIED FINANCIAL SERVICES

RANK		SCORE
1.	Merrill Lynch	6.84
2.	Salomon	6.56
3.	Morgan Stanley Group	6.52
4.	Aetna Life & Casualty	6.47
5.	American Express	6.44
6.	Travelers	6.38
7.	First Boston	6.25
8.	Cigna	6.06
9.	Bear Stearns*	6.00
10.	Federal National Mortgage Assn.*	5.61

RUBBER PRODUCTS

RANK		SCORE
1.	Goodyear Tire & Rubber	6.91
2.	B.F. Goodrich	6.47
3.	Rubbermaid	6.37
4.	Firestone Tire & Rubber	6.30
5.	Cooper Tire & Rubber	6.09
6.	Armstrong Rubber	5.85
7.	GenCorp*	5.74
8.	Dayco*	5.58
9.	Dorsey*	5.51
10.	Premark International*	5.47

TRANSPORTATION SERVICES

RANK		SCORE
1.	American Airlines	6.56
2.	Delta Airlines	6.44
3.	United Air Lines	6.43
4.	UPS	6.37
5.	Burlington Northern*	6.20
6.	Union Pacific*	5.93
7.	Norfolk Southern*	5.81
8.	Santa Fe Southern Pacific*	5.78
9.	CSX*	5.64
10.	Texas Air	5.48

*More than one-third of respondents in the respective category said they were "not at all familiar" with these companies.

functions (see page 28). Scores in these overall rankings represent an average of the seven grades each company received. A score of less than 4.00 is considered poor, 4.00 to 5.99 average, 6.00 to 7.50 very good, and above 7.50 excellent.

METAL MANUFACTURING

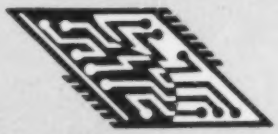
RANK	SCORE
1. Alcoa	6.24
2. Cyclops	5.89
3. Bethlehem Steel	5.82
4. Armco	5.78
5. Reynolds Metal	5.75
6. Inland Steel*	5.71
7. Kaiser Aluminum & Chemical	5.69
8. Alumax*	5.66
9. LTV	5.61
10. Penn Central	5.09

TELECOMMUNICATIONS & UTILITIES

RANK	SCORE
1. Bell Atlantic	6.03
2. Bell South	6.02
3. Southwestern Bell	6.01
4. Southern Bell	5.99
5. NYNEX	5.98
6. US West*	5.94
7. GTE	5.90
8. Pacific Telesis Group*	5.84
9. Ameritech*	5.81
10. Pacific Gas & Electric*	5.76

SOAPS & COSMETICS

RANK	SCORE
1. Colgate-Palmolive	6.53
2. Clorox	6.22
3. Chesebrough-Ponds	6.10
Lever Brothers (tie)	6.10
4. Revlon Group	6.04
5. Noxell	5.71
6. Economics Laboratory*	5.65
7. Avon Products	5.51
8. Alberto-Culver	5.41
9. International Flavors & Fragrances*	5.31



ELECTRONICS

RANK	SCORE
1. General Electric	6.69
2. AT&T	6.60
3. Motorola	6.55
4. Texas Instruments	6.48
5. Honeywell	6.44
6. ITT	6.15
7. TRW	6.13
Westinghouse Electric (tie)	6.13
8. Raytheon	5.98
9. Emerson Electric	5.91

executives from each of the 10 industries listed on the following pages. They were asked to grade the 10 largest companies in their categories from 1 to 10 on each of seven different selling attributes: recruiting top salespeople, the ability to keep them, quality of training, opening new accounts, holding accounts, product/technical knowledge, and reputation among customers. The average response rate per category was 20%.

Seven of the industries featured this year were last rated in 1986, two were rated last year (Textiles and Electronics), and one (Diversified Financial Services) is making its debut.

□ □ □

A family fight among Baby Bell companies for first place in the Telecommunications & Utilities category supports the discussion of parity. Bell Atlantic, with an average score of 6.03, edged out Bell South by one hundreth of a point and Southwestern Bell by two hundreths. Fifth-place NYNEX finished only five hundreths of a point off the pace at 5.98.

That's not to say that Bell Atlantic's honor isn't deserved. The Philadelphia-based company doubled sales in its core businesses to $870 million in 1987, resulting in a 66% leap in net income to $40 million-plus. Bell Atlantic is also hailed as being particularly strong in marketing high-profit, specialized communications services to the business sector.

This year's biggest turnaround was pulled off by Goodyear, which finished last in the Rubber Products category in 1986. Two years later, America's top tire marketer leads all industry categories with a winning margin of .44 and sweeps all individual honors.

Interestingly, Sir James Goldsmith's attempted takeover of Goodyear last year may have helped lift the company to the top of the marketing heap. Goodyear was forced to divest most of its non-tire operations to fend off the bid, leading one industry analyst to remark that Goldsmith's "done the company a service by sending them back to what they do well, which is to produce and market tires."

It's possible that financial considerations—namely the stock market crash and its effect on sales—led this year's survey respondents to give even companies that had poor sales the benefit of the doubt, resulting in the tightly clustered mid-range ratings. Yet an executive at one winning company said that Black Monday proved a boon to sales recruitment efforts. "Wall Street has always been our biggest competi-

The Best in Seven Categories of Selling

COMPANIES, FOLLOWED BY SCORES, WITH A HIGHEST POSSIBLE SCORE OF 10.

Industry	Recruiting Top Salespeople	Ability to Keep Top Salespeople	Quality of Training	Opening New Accounts	Holding Accounts	Product/ Technical Knowledge	Reputation Among Customers
Textiles	J.P. Stevens 6.67	Burlington Industries 6.34	Burlington Industries 6.75	J.P. Stevens 6.39	Armstrong World Industries 6.56	Armstrong World Industries 6.96	Fieldcrest Canon 7.19
Glass & Building Materials	Corning Glass Works 6.73	Corning Glass Works 6.85	Corning Glass Works 6.82	PPG Industries 6.52	Owens-Corning Fiberglas 6.67	Corning Glass Works 6.72	Owens-Corning Fiberglas 6.83
Publishing & Printing	Dow Jones 6.40	Dow Jones 6.41	Time Inc. 6.48	Time Inc. 6.29	New York Times 6.61	Dow Jones 6.48	Tribune Co. 6.36
Metal Manufacturing	Alcoa 6.27	Alcoa 6.35	Alcoa 6.14	Alcoa 6.04	Reynolds Metal 5.91	Alcoa 6.46	Alcoa 6.55
Telecommunications & Utilities	Bell South 6.05	Southern Bell 6.04	Bell Atlantic 6.27	GTE US West * 5.85	GTE 6.23	Southwestern Bell 6.19	Southwestern Bell 6.27
Diversified Financial Services	Merrill Lynch 6.75	Merrill Lynch 6.73	Aetna Life & Casualty Merrill Lynch* 6.56	Merrill Lynch 6.84	Merrill Lynch 6.94	Aetna Life & Casualty 7.13	Merrill Lynch 7.13
Rubber Products	Goodyear Tire & Rubber 7.06	Goodyear Tire & Rubber 6.92	Goodyear Tire & Rubber 6.94	Goodyear Tire & Rubber 6.82	Goodyear Tire & Rubber 6.64	Goodyear Tire & Rubber 6.98	Goodyear Tire & Rubber 7.04
Transportation Services	American Airlines 6.68	Delta Airlines 6.56	American Airlines 6.77	Delta Airlines 6.46	UPS 6.36	American Airlines 6.67	American Airlines 6.88
Soaps & Cosmetics	Colgate-Palmolive 6.40	Colgate-Palmolive 6.36	Colgate-Palmolive 6.48	Colgate-Palmolive 6.23	Colgate-Palmolive 6.82	Colgate-Palmolive 6.51	Colgate-Palmolive 6.90
Electronics	General Electric 6.81	AT&T 6.37	Motorola 6.88	General Electric 6.44	General Electric 6.82	Texas Instruments 6.92	General Electric 6.91

Source: Simmons Market Research Bureau, Inc. * Denotes tie

tion for top salespeople," says Abraham Stenberg, executive vice president of Burlington Industries, which ranked as the top selling organization in Textiles. "because they were able to make more money selling securities than selling goods, but that's changed now." However, recruitment is still an area where Burlington appears to need help: It managed only a fourth place for "recruiting top salespeople."

Another top sales force that made a big rebound in this year's survey was Colgate-Palmolive, which finished sixth in the Soaps & Cosmetics industry in 1986. Since then Colgate got a new chief executive, Reuben Mark, whom one industry observer calls "a real salesman for the company." Mark keeps his sales force happy with a steady stream of new products such as Palmolive detergent for dishwashers, which gave Colgate its first-ever presence in that market, and Fab 1 Shot, a pouch containing laundry detergent and fabric softener that scooped all the competition.

"Developing exciting products is probably the best thing you can do to keep a sales force motivated," says Ralph Champlin, vice president of U.S. sales at Colgate. "Also, because our products aren't always the market leaders, our salespeople are known to be hard workers."

There were two categories in which former winners traded places with their runners-up. General Electric climbed ahead of AT&T in Electronics—no doubt the landmark project of electrifying the mill that will produce GM's Saturn helped considerably—and Corning Glass Works supplanted Owens-Corning Fiberglas in Glass & Building Materials. Corning Glass's Charles Peifer, vice president of sales in the housewares group, has a theory for his company's victory: "Corning used to be perceived by the retail trade as being somewhat aloof—a little detached and too smitten with itself. We read those perceptions, and now we are much more accessible. We are willing to listen and are open to working together with all of our retailers."

Few stock analysts were surprised at Merrill Lynch being named the top selling organization in the Diversified Financial Services category. "Most everybody in the business considers its sales force second to none," said one. Some solid evidence: After reorganizing the sales department last year, Merrill's trading results continued to improve.

"We have very low turnover compared to the rest of the industry," says Merrill's national sales director Dave Komansky. "We feel our salespeople are tops in professionalism. They represent a culture we have tried to build in this firm for more than fifty years."

In another turbulent industry, Delta Airlines, despite a year of bad publicity, finished second to American Airlines in the Transportation Services category. "I feel the honor is long overdue," says American's senior vice president of marketing Michael Gunn. "I think salespeople have a more challenging job at American. Most airlines concentrate on just transportation sales; we challenge our people to sell not only transportation but a whole range of automation products as well." Indeed, American's automated reservations system, Sabre, claims a 40% share of the market.

What accounts for Texas Air's No. 10 rating? Perhaps acquisition-happy CEO Frank Lorenzo, with his conglomeration of Continental, People Express, New York Air, and Eastern, simply had his industry peers confused about what they were rating. Or it could be that, with Eastern's massive pilot defections and the increased number of his airlines' mechanical problems, confidence in Lorenzo's management style has eroded.

Top managers of the 10 top sales forces picked this year will receive their awards at the 4th Annual Sales & Marketing Conference & Expo sponsored by *Sales & Marketing Management* and the American Management Assn.

Al Urbanski is the former managing editor of Sales & Marketing Management.

Companies with poor sales got the benefit of the doubt, resulting in clustered ratings.

RUBBER PRODUCTS

AT GOODYEAR, BIGGER GETS BETTER

The stereotype of the big, multibillion dollar company being indifferent to its customers' needs may be popular, but it doesn't sit well with James Barnett, a 38-year Goodyear veteran, and the company vice president of sales and marketing of replacement tires. "It's a lame excuse that being big somehow precludes you from being close to the customer," says the 57-year-old sales executive. "That's no reason for not being customer-oriented."

According to the best sales force survey, Barnett has little to worry about. The $9.9 billion Akron, OH, company, the world's largest tire manufacturer, finished on top in every category ranging from recruiting top salespeople to reputation among customers—no small feat in what has become one of the country's most competitive industries. "You always get the impression that Goodyear wants to sell every tire to everybody who needs one," says W. Dudley Heer, an analyst with Chicago-based Duff & Phelps. "I'm not certain you could say that about every tire manufacturer in the United States."

Goodyear has roughly 500 salespeople on its payroll—including dealers—who call on consumer accounts in the replacement tire business. The sales management structure is broken down into a national sales manager, five regional managers, and 43 district managers, all of whom are ultimately responsible to Barnett.

Yet despite Goodyear's size advantage (its share of the $14.3 billion domestic replacement tire market is 16%, compared to 9% for Firestone, its nearest U.S. competitor), Barnett says the company can't afford to be complacent. "Customers are more demanding than ever; they have a right to be," he says. "Our challenge is to deliver a better product."

As with many other smokestack industries, Barnett says the tire business has become more technical and the salespeople more professional. "You can't maintain customers just because you call on them and buy them lunch and dinner. There may be some of that but it's going to be technical products and service that will get the sale."

To train new hires and keep veteran salespeople sharp, Goodyear leases an elementary school in Akron that it

PHOTOGRAPH BY MIKE STEINBERG/BLACK STAR

Goodyear's Barnett: "As far as I'm concerned, it's always been us against them."

has turned into a training center. Recruits, who don't need a technical degree, spend roughly three months in the program, while experienced salespeople are brought back to the center on regular intervals.

Like most sales executives, Barnett feels that finding and keeping top people—two areas where Goodyear did especially well in the survey (7.06 and 6.92 out of 10, respectively)—is the company's biggest challenge. However, he scoffs at the idea that recruiting good people is more difficult in the tire business than in other more "glamorous" industries such as finance and hi-tech. "If you want to be an investment banker, then this isn't for you," he says. "But this is a highly competitive industry, and a career in it now is more appealing than any time in my memory."

Once on board, Barnett says Goodyear motivates its salespeople with a strong compensation package that includes salary and bonuses that can earn salespeople $50,000-$60,000 annually. In addition, the company has ongoing recognition programs and sales contests. As for the possibility of advancement, salespeople can look to the very top: Current Goodyear chairman and CEO Robert Mercer started with the company selling industrial hose.

Despite its sales prowess, however, few would argue that Goodyear's salespeople don't have their work cut out for them. For 1988, Value Line analysts predict tire volume for Goodyear will increase 10%, before flattening out in 1989. And last year the company, which had been diversifying beyond the tire business, spent much of its time trying to stop the highly publicized takeover attempt by Sir James Goldsmith. But its biggest challenge probably came in the form of Japanese-based Bridgestone's purchase of 75% of Firestone's tire business—a move that some analysts predict will increase pressure on Goodyear's sales force. "There's no question that Bridgestone is *very* committed to the tire business," says Duff & Phelps's analyst Heer.

Still, Barnett remains confident that Goodyear will remain on top. "As far as I'm concerned, it's always been us against them. They [Goodyear's competitors] all look the same to me. I worry about what we do."—*B.K.*

Colgate's Temperato, Champlin, and Pritchett: Restructure for greater clout.

SOAPS AND COSMETICS

COLGATE-PALMOLIVE CLEANS UP

"We cut into Cascade like crazy," says Ralph A. Champlin, recounting one of the many triumphs of 1987 for the Colgate-Palmolive Co. sales force. And Palmolive Automatic dishwashing liquid's conquest of P&G's venerable powder was all the more significant in a year when CP's sales force went through a rigorous reorganization.

Besides pushing more power down to the regional level, CP began combining its two main sales forces, household products and personal care products, into a single retail organization, thus reducing costs and increasing sales effectiveness. Champlin, vice president of U.S. sales, points out that when a unit manager (salesperson) visits a store, he or she not only services both lines but is more efficient in general. For example, "If the store's household products specialist is tied up, our person can talk to the woman in charge of personal care products."

Not only did Colgate-Palmolive finish tops in its category in the best sales force survey, but it swept all seven criteria for sales excellence, finishing with an overall mean of 6.53. Clorox was second with 6.22, and ironically Chesebrough-Ponds and Lever Brothers, which merged during the year but were measured separately in the survey, tied for third with 6.10.

"We're going to be even better," says Champlin, 60, surprised at winning in the midst of a restructuring. "We're organizing to stay with the marketplace or even get ahead of it." CP started the sales force changes in the Pacific region in January 1987, gradually introduced them in other areas, and will complete the process this month.

Staying with the marketplace, of course, means keeping pace with the giants of grocery retailing and working with them on deals and promotions. Here, especially, Champlin relied on his two national sales managers, John Temperato and Wally Pritchett, to carry out the restructuring so that it would give CP's 700-member sales force greater clout where it would do the most good.

Thus while unit managers calling on stores are becoming generalists, CP has tripled the number of key account managers who make their presentations at the regional and national headquarters of grocery chains. These people specialize in either household or personal care products and create merchandising programs for them with people in the retail organization.

New as these changes are, they're already affecting the performance of the company, which last year had worldwide sales of $5.6 billion. Unit volume for the entire company jumped 9% last year, "which is fantastic," says Brenda Lee Landry, an analyst with Morgan Stanley, "and the new products really excited the sales force." For example, instead of test marketing Fab 1 Shot, an all-in-one laundry product sold in packets containing detergent, fabric softener, and an antistatic agent, CP stole the march on P&G by rolling it out immediately last fall.

Generating sales at the expense of profit has been a problem, however, says Landry, noting that CP's after-tax margins were only 3.6% of sales in 1987. "Reuben Mark [CEO and a former marketer] wants four percent this year, so he's telling the sales force not to give away that extra case."

Indeed, the drive to improve the bottom line is being built into CP's compensation plan. "Before, we were a volume-for-volume's-sake outfit," says Champlin, "but now, after a key account manager hits his quota, he's paid additional dollars for return on sales. Also, he gets a bonus for promoting a more profitable mix of products."

Competing in the high-powered packaged goods business, however, "is still a volume business," says Champlin. Under the new structure, bonuses for unit managers are based on volume and their prime job is to persuade store managers to bring more CP goods out of the retailer's warehouse and stock them on the shelves.

Blending people from personal care products and household products into a harmonious whole took planning and considerable cross-fertilizing. Even before last year, people from one division were often transferred or promoted into management jobs at the other, anticipating the consolidation. To prepare unit managers for the change, Champlin paired them with their opposite numbers from the other division and had them work a territory together for several weeks.

Simultaneously, the four regional offices were beefed up to handle enhanced responsibilities. Each is headed by a general sales manager who, besides a manager of retail sales and another for key accounts, has specialists in marketing, sales training, and customer service reporting to him.

They all have their work cut out for them. No one at CP, least of all Champlin, has illusions about the severity of competition in the company's major markets. "P&G got a head start on us with Crest Tartar Control," he says, referring to the hottest segment of the toothpaste market, "but we're coming back strong. We're still the good guys, and these days we're bringing more to the ball game."—*M.E.*

PHOTOGRAPH BY BILL KELLY/MESOPOTAMIA

TELECOMMUNICATIONS & UTILITIES

BELL ATLANTIC'S HI-TECH REPS

High technology is becoming commonplace to Bell Atlantic's salespeople, both as a sales strategy and as an on-the-job tool. Despite accusations by the Pennsylvania attorney general that one of its subsidiaries practices "deceptive marketing techniques," Bell Atlantic was picked by its peers to have the best sales force in the telecommunications and utilities category. The Philadelphia-based Bell holding company, one of the seven regional Bell operating companies (RBOC) created by the AT&T consent decree, has moved swiftly to exploit the symbiotic relationship between telecommunications and computers as well as edge its sales force into the age of automation.

Among the seven RBOCs, Bell Atlantic ranks third in revenues ($10.3 billion), net income ($1.2 billion), and revenue growth (3.8% last year), topped by Bell South and Nynex, respectively. "In their telephone business," says Audrey L. Stevoff, vice president, Duff & Phelps, a Chicago investment house, who follows the RBOCs, "Bell Atlantic is among the most efficient in the country. And they've done an excellent diversification job, moving into computer services and maintenance, which works well with telecommunications, as well as financing and leasing, so that they can offer the business customer a well-rounded package."

At the heart of the thrust into new markets is Jane Chadwick, a 29-year Bell veteran who is vice president of intermediary marketing, Bell Atlantic Network Services Group. Her 28 account executives (AEs), working out of McLean, VA, headquarters, serve as a sales support function for Bell Atlantic's three operating companies (New Jersey Bell, Bell of Pennsylvania, and the Chesapeake & Potomac Companies), calling on a broad spectrum of national and regional accounts.

"We zero in on the market itself because a lot of companies and markets are unique," she explains. "Because value-added networks and cellular carriers have their own set of needs, the products and services we sell to each are totally different, so we have specialists for those categories. When I look at the AEs who call on the interexchange carriers, they can sell any number of the products and services we offer. We are interested in learning how a customer's business is run, what the particular needs are, and then providing a solution that speaks to him, whether it involves office automation, computer networks, or how to handle data transmission."

Bell Atlantic's Chadwick: Her AEs serve a sales support function for three operating companies.

Because future solutions will be increasingly technological, Bell Atlantic last year beefed up its standard training with what's called the Top Gun program. Sixty top sales producers were picked from the group's 250 sales representatives for an intensive 13-week course—stretching over nine months—that examined emerging technologies in the telecommunications-information services complex.

"We want to position the AEs for the future," Chadwick says, "getting them to think about the emerging technologies and how they can be used creatively to solve customer problems, and to think of new ways of doing business with the products and services we have today and could have tomorrow." While it meant taking AEs from the field for 13 weeks, Chadwick insists "it was an investment in the future."

When the 60 AEs graduated last September, they were given laptop computers as a reminder of how their jobs will be influenced by new technologies. Even before that ceremony, Chadwick had introduced her AEs to sales force automation, making desktop PCs available in the office. "All of the PCs in our sales offices are linked by a LAN (local area network) that the AEs use to generate reports, pass information back and forth, communicate with customers, report sales, and keep track of their account planning."

Top Gun wasn't the AEs' first exposure to computers. One of Chadwick's most lucrative businesses is selling software to other RBOCs. "All the telcos use the same hardware," she notes, "but we have an edge in that we developed a lot of neat programs that make our jobs easier and save time for management, which we sell to other telephone companies."

Chadwick thinks the PCs are "one reason why our sales force productivity is increasing five to ten percent a year. Hopefully, as we become more adept with PCs, we'll do even better than that."—*T.C.T.*

PHOTOGRAPH BY DAVID HATHCOX

Merrill Lynch's Komansky: Our success is based on a corporate culture built over 50 years.

DIVERSIFIED FINANCIAL SERVICES

"BLACK MONDAY" TESTS MERRILL LYNCH'S SALES FORCE

To say that the typical investor has become risk-adverse since October is putting it mildly. What's more, analysts say it will take more than a rebounding of stock prices to restore consumer confidence.

And that picture has Merrill Lynch sitting pretty. The financial services industry behemoth, with its 12,000-person sales force and massive marketing and research organization, is positioned to take what comes from an uncertain economy, according to David Komansky, national sales director. No doubt that is one reason why Merrill Lynch's sales force topped S&MM's survey of diversified financial service companies, winning five out of seven categories.

"We handled Black Monday well," believes Komansky. "Our executives were prominent in the media, responding quickly and intelligently. Meanwhile, our advertising campaign has been focused to support our customer and employee base."

That doesn't mean he is belittling the experience. "When market breaks occur, salespeople suffer more than their customers," he says, referring to more than just the financial aspect of the recent market fall. "Just as the public needs to regain confidence, professionals within the industry need to do the same."

Merrill's salespeople are meeting October's challenge by shifting to a more conservative posture and preaching the benefits of total asset management. Its financial advisers stress that the most diversified investors fared the best last October, particularly those who followed Merrill's portfolio management concept that includes fixed income investments.

A recent revision of Merrill's commission structure reinforces that concept. Its new formula rewards retail salespeople for managing larger percentages of their clients' holdings, especially if they include products managed by Merrill, rather than focusing only on individual transactions. It also includes a new grid that penalizes the low-end producer and doesn't reward incremental degrees; salespeople are now rewarded on building the total assets of the investor. (Institutional salespeople are on straight salary plus bonuses.)

What separates Merrill from its competitors? Size, says one industry analyst. He also challenges Merrill's new emphasis on portfolio management over individual transactions, saying that the average salesperson is still more concerned with the level of business, since the ones who produce the most climb the highest. What's more, he feels the company's large number of support people demand it.

Komansky disagrees; he insists that Merrill's success is not due to its size but to the corporate culture that Merrill executives have been building for the past 50 years. "Quite frankly, we are differentiated by the quality and professionalism of our sales force," he believes. "Surveys such as yours have constantly recognized that we have a set of values. It may sound trite, but we take great pride in what the company represents, and it is not lip service when we say it all begins with the client's needs."

Komansky says he is not surprised that the company topped our survey for recruiting and retaining top salespeople, opening and holding onto accounts, and enjoying a strong reputation among

PHOTOGRAPH BY DAVID SAL DIMARCO/BLACK STAR

its 5 million customers. It is all because "enormous" opportunities in the growing field of financial planning keep the sales force motivated, contends the sales chief. "A large percentage of our force wants to maximize their profession as financial consultants. We spend enormous resources and a lot of time to see that we are properly positioned to support those aspirations."

Nor is he surprised that the company weathered the adverse times better than its competition. Total revenues rose 13% to a record $10.9 billion for its fiscal year ending December 31, while net earnings reached $391 million, second highest in its history. Although profits were below target, they topped the industry by a significant margin, well in excess of its top three competitors combined, Komansky reports. (It should be noted that Merrill's earnings statement is enhanced by several nonrecurring gains.)

A key ingredient includes training, a process that is shaped at Merrill's corporate campus in Princeton, NJ. That assessment is seconded by Perrin Long, a prominent investment industry analyst with the New York firm of Lipper Analytical Services. "There is no question that Merrill Lynch has the best training program of anyone in the securities industry," he says. "It can take a first-time entrant, and within a reasonable period and hard work, crank out a salesperson who will produce in excess of $200,000 in three years."

That ability has traditionally made Merrill a favorite target for recruitment by other firms, although recent moves—including consolidation, which has reduced Merrill's need for new entrants, and an emphasis on older recruits—have dropped its turnover rate to the industry norm of 14%-16%.

A keen eye on technology and product innovation also keeps Merrill out front and extremely difficult to compete with, according to Komansky. Although he admires the numerous well-managed firms in the industry, including smaller companies, Komansky believes that competing with Merrill Lynch means thinking in global terms both geographically and in product selection. And, he adds, "The ability of our delivery system is awesome.

"On the other hand, sheer size is not really the issue," he reiterates. "Look at our ability to capture new accounts and retain them. That is because we concentrate on generating relationships with clients rather than being a transaction organization. We let them know we care about them and their needs."—*P.H.*

METAL MANUFACTURING

ALCOA'S SALES FORCE CAN'T WAIT FOR THE NEXT CHALLENGE

C. Fred Fetterolf, Aluminum Company of America's 57-year-old president and COO, has seen a lot of changes in the metal industry since joining the Pittsburgh-based company as a sales trainee 36 years ago. But from a marketing standpoint, none may loom as large as the evolution of the salesperson. "[The job] has become much more professional," says the number two executive at the $4.7 billion company. "It's based on facts, quality, and service. In the past, an awful lot of relationship could transcend bad products."

Such changes bode well for Alcoa, where insiders say product quality has always been high. In addition, our best sales force survey puts the company on top in the metal industry in categories ranging from technical knowledge to opening new accounts. "Alcoa's products have always made them a force to be reckoned with in the industry," says Dennis Sperduto, an analyst with Argus Research in New York. "And they've been quite aggressive in developing and penetrating new markets."

Until two years ago, Alcoa had a centralized sales force, making its roughly 140 salespeople responsible for selling the company's entire product line. But in August 1986, company executives changed all that, and each of Alcoa's approximately 40 business units was given its own sales force. The reason for the move, says Fetterolf, was to meet the growing sophistication of buyers. "The business has become much more specialized," he says. "The biggest challenge facing a sales force is to understand a customer."

Like Fetterolf, who has a B.S. in chemistry, most salespeople at Alcoa have a technical background, although a science degree isn't necessary. Ideally, he says, the company would like a blend of technical and interpersonal skills in its sales recruits.

The company's training program for salespeople varies from six months to a year, depending on the business unit employees enter, and, not surprisingly, it is technically oriented. After the training period, the newly minted salespeople are "dumped" into the field. "We don't put them into little, then big, then bigger accounts," explains Fetterolf. "We give them a big responsibility right away." This, he says, challenges the salespeople and allows them to grow—two elements he

Alcoa's Fetterolf: Challenge, not commission, is the prime motivator.

PHOTOGRAPH BY TOM BARR/BLACK STAR

feels are key motivators. "Our salespeople are not motivated by commissions, because they are not on a salary and bonus system. The challenges motivate them," says Fetterolf.

Recruiting salespeople has not been difficult, despite aluminum sometimes being referred to as a mature industry. "You hear phrases like 'the declining metal industry' and 'lack of growth,' but there is a lot [for salespeople] to aspire to," says the former salesman.

Although he is no longer involved in day-to-day sales, Fetterolf says he still does a lot of selling, whether it's to big customers or unions and employees. "I think you're selling yourself everyday," he says.

As for advice to the competition, Fetterolf is obviously reluctant to find fault with Alcoa's sales operation. "You might want to pick on us about price," he says, putting himself in his competitors' position. "And we might be viewed as smug, although I certainly hope that's not true. But from a sales standpoint, I don't see a lot of weakness." Then, he adds with a laugh, "I hope that doesn't sound smug."—*B.K.*

Burlington's Stenberg: He took the cap off incentives; record sales were the result.

PHOTOGRAPH BY CHRISTOPHER MORRIS/BLACK STAR

TEXTILES

DESPITE A TAKEOVER BATTLE, BURLINGTON'S SALES ARE UP

For the salespeople at Burlington Industries, 1987 was the best of years and the worst of years.

They racked up record sales of $3.3 billion, but many of them are no longer members of the Burlington team, their divisions having been sold to raise capital to take the company private following a hostile takeover attempt last spring by Samjens Acquisition Corp., a partnership of Dominion Textile of Canada and New York arbitrageur, Asher Edelman.

Nine full divisions have been sold—three producing industrial fabrics, the Erwin and Ramseur, NC, plants, two European divisions, W.G. Lord automotive fabrics, and the Burlington prints division. This leaves 15 divisions that manufacture fabrics for home furnishings and menswear, textured woven fabrics, and yarns. Because of the massive sell-off, overall sales for the company will be down by about $1 billion this year.

Though living under a cloud of uncertainty, Burlington's sales force has managed to keep its focus.

Nowhere was this more evident than in the home furnishings group, which—with an 18.5% increase in sales—was one of Burlington's top performers. Though the group uses some outside distributors, the bulk of sales is handled by 40 staff salespeople.

Abraham Stenberg, executive vice president of Burlington Industries and president of the home furnishings group, says hand-holding is what distinguishes Burlington from its competitors. "Our customers are important to us, and we let them know that by delivering quality goods on time and offering them innovative programs. That's how business grows," he says.

One such innovation, the Quick-Turn program, stemmed from salespeople's reports that many store owners were limiting their purchase of draperies to fast-selling colors and sizes.

Stenberg's solution, which he says helped boost sales considerably last year, was to offer a shorter turnaround—seven days—between order and delivery. This way the goods are on the floor sooner and there's a quicker return on their investment. The program has been such a success, says Stenberg, that some of his competitors are copying it.

Stenberg also beefed up service by hiring more people to handle customer calls. Although this increased the cost of service by 20%—a price well worth paying, says Stenberg—the company has only raised its prices 3%-4%, based on increased labor and materials costs; there's been no pass-along of the cost of the new service.

This new operation has played a significant role in the home furnishings group's 18.5% sales increase as well as improving the company's reputation for caring about its customers.

Stenberg plans more improvements including the addition of a retail sales support team, now under development. Its job will be to keep retailers posted on significant trends and help them set up displays, a task now handled by the sales force.

Sales training is a continuing process of *re*training for Stenberg's team; each division's salespeople meet four times a year for one-day sessions. There, sales and products are reviewed against the competition, and selling skills, down to the basics of how-to-sell, are honed. The top three performers for each division receive substantial cash bonuses and have their names added to a plaque that hangs in the main office of each division. There are no incentives other than cash.

"We feel that both money and the psychological incentive of peers knowing that you've done a good job is an excellent combination for motivating people," says Stenberg. "People work harder when they see that the fruit of their accomplishments is money in their pockets."

This year the pockets of Stenberg's top performers will be bulging: He has taken the cap off incentives. Like most companies, Burlington had a cutoff point on commissions to protect itself from paying bonus dollars for what could well be just a lucky sale on a hot item. Stenberg says that he no longer considers this a worry. "The chances of anybody having a bonanza year," he says, "is truly not a likely event, but if they do—whether it's because of their own effort or because they got lucky—so be it. For one year the company may be paying more than it should, but I think the motivation of a salesperson knowing there is no limit to what he can do is more important than a cap to protect the company for a few thousand dollars a year."

Sales performance, which is reviewed monthly by each division's sales and business managers, is measured against an annual strategic plan that sets goals for increasing the volume of business with old accounts and for generating new ones.

Stenberg's biggest challenge this year will be to keep up the momentum. "I don't see any complacency, but when you're winning, that's when you have to be on the lookout to make sure your people don't become lackadaisical."—*L.M.*

PHOTOGRAPH BY MICHAEL GREENLAR/PICTURE GROUP

Corning's Peifer: The reward for outstanding performance—a lucrative bonus program.

GLASS & BUILDING MATERIALS

CORNING BOOSTS SALES WITH BETTER CUSTOMER SERVICE

"Not so long ago," admits Charles L. Peifer, vice president for houseware sales for Corning Glass Works, "our company was perceived as being a bit too smitten with itself, to the point where it was considered extremely rigid and nonresponsive to the market." Peifer can afford to say this now: Sales were up 18% last year, and Corning's sales force stands first in the glass and building materials category of our best sales force survey.

How did Corning transform its image and boost sales at the same time? It wasn't easy, Peifer says, because his biggest challenges last year—expanding distribution and improving customer service—were sometimes at odds with each other. By adding 31 food brokers to tap the lucrative grocery chains in major metropolitan markets, he got his distribution. However, because of unexpected consumer demand, it was a touch-and-go situation keeping customers supplied. "If your customers can't count on you to deliver what you promise in the quantities you promise," he comments, "it's difficult for them to plan with confidence."

Could Corning itself be faulted for failing to plan adequately last year? Peifer says not. "Because we changed our portfolio of products," he explains, "we had no benchmark or baseline from which to forecast sales."

The problem has been somewhat ameliorated, but Peifer says he is still not near where he wants to be by the end of 1988. An integral part of reaching his goal is the use of Corning's Leaderset, a computer shelf management system introduced last year.

Leaderset is designed to help retailers make educated buying choices

as well as show them the best way to improve sales through effective shelf positioning. Retailers are given a variety of line drawings illustrating shelf displays, and statistical data on product movement compiled by A.C. Nielsen. The graphic models and the data (which is broken into geographic areas, seasonal sales, and type of merchandiser--including grocery, drug, and hardware stores) is supplied to the retailers either on printouts or floppy disks.

"As with any technology," Peifer says, "to say that we fully understand Leaderset's capabilities would be an overstatement. But right now we can go to retailers and say, 'Retailers of your kind typically experience this kind of movement on this item.' "

Another part of Peifer's strategy is the 26-person, part-time sales support team that was hired last year and will double this year. This sales group is supposed to take care of the details that busy store managers often overlook. They keep tabs on stepped-up production and educate major accounts to give more lead time when placing orders so the information can be rolled into Corning's forecasts. They also check shelf-tags, make sure POP displays are in place and that products are positioned advantageously, and remind retailers when to reorder.

A company can be put out of business just as quickly by a successful product that's not available as by a bad one, says Peifer—"If a product is not properly displayed and the reorder mechanism isn't in place, you can go out of business in a week."

The reward for outstanding performance is peer recognition and a bonus program for the 60-person sales force that caps at 115%, calculated on both overall performance and sales volume for individual brands. In addition, there is a host of annual awards ranging from cash to pieces of Steuben glass—Corning owns Steuben—for the company's top salespeople and the best regional and district managers.

Peifer's goal for this year is to make further improvements in customer service, an area he considers the most vulnerable in the eyes of his company's competitors.

"Today," says Peifer, "we are far more responsive to legitimate business needs than we have ever been. While we have not eliminated all problems in customer service and aloofness, we have made major steps in improving both. We keep reminding our people that Corning isn't in the commodity glass business, it's in the value-added business"—*L.M.*

GE's Engelman: More emphasis on key account selling helped GE win.

PHOTOGRAPH BY LARRY FRANK/BLACK STAR

ELECTRONICS AND ELECTRICAL EQUIPMENT

THE SALE THAT TURNED GE ON

Outfitting a new General Motors plant with state-of-the-art electrical gear usually involves more than one supplier, but that's not what happened when marketers at General Electric Co. mustered to land the job at GM's Saturn factory in Spring Hill, TN. "We got the whole thing," says David M. Engelman, vice president and general manager of GE Electrical Distribution and Control Sales Div. "Everyone was flabbergasted."

Besides beating out rivals for electrifying the plant that'll turn out GM's touted car of the future, the Saturn sale was a landmark in General Electric's sales effort. "For once, we got the whole of GE together," says Engelman, noting that the work is being parceled out to several of GE's 14 businesses. In what is probably one of the most productive opening calls in the history of any industry, vice chairman Lawrence A. Bossidy led a team of corporate vice presidents that dropped in on General Motors chairman Roger B. Smith nearly two years ago. The message: GE wants to be partners with you on your major projects. Smith liked what he heard and urged the GE team to contact Saturn.

At that point, GE put together a 40-person sales team committed to landing the contract for the Saturn plant. Not only did it include top executives from such diverse operations as plastics and power systems but a deliberate effort was made to match the ages and personalities of GM's Saturn team. GM had some young hotshots, so General Electric included some sales

engineers in their early thirties.

By the time they closed the sale last year, the General Electric people had escorted their GM counterparts on tours of GE plants and hammered home the idea that they'd benefit by having a single electrical supplier for the Saturn plant. "They got in on the front end of our product planning," says Engelman, who is convinced that the exchange of specifications and pricing data was a prime reason GE won the contract. "We didn't hold anything back."

All-out efforts of this sort help explain GE's top showing in this year's best sales force survey. The company finished first in four of the seven categories, including opening new accounts (6.44) and holding accounts (6.82). Overall, it scored 6.69, nosing out last year's winner AT&T with 6.60 and Motorola with 6.55.

Winning the Saturn job brought GE more than just a big chunk of business—specification engineers in other industries tend to look to the automakers for new ideas in manufacturing. Says Engelman, "Now we can go to other industries and say, 'This is the kind of product we used at GM.' "

For Engelman's own division, which this year will sell nearly $1 billion of such things as switchgear, transformers, and motor control centers, the sale was the prize that capped a string of achievements. By redeploying sales engineers and gradually shifting the order-entry process from district offices to his Plainville, CT, headquarters, he was able to reduce personnel by 2% and achieve a 13% increase in sales productivity. At the same time, he squeezed out a 1.3% gain in market share.

Like the other dozen or so sales forces at GE, the Electrical Distribution and Control Sales Div. put more emphasis on key account selling last year, partly as a result of the Saturn success. Whether it be with distributors (65% of sales) or original equipment manufacturers, Engelman says, "We're trying to look at the total business and get away from just talking price and products." His organization totals more than 600, including sales engineers, inside salespeople, managers, and support people.

So satisfying was the Saturn effort, in fact, that it fostered renewed interest in pursuing similar sales at key accounts whose product requirements might cut across several of GE's operating businesses. Albert J. Febbo, a corporate vice president, was put in charge of a strategic account management team in Detroit to concentrate on the automotive market. Sales engineers from the four corners of the company are encouraged to seek sales opportunities for other GE businesses and are rewarded for doing so.

Encouraged by the marketing-oriented philosophy of GE chairman John F. Welch Jr., sales executives and salespeople alike are working closer with major accounts on the complete spectrum of business issues. "The world is different today," says the 55-year-old Engelman. "Before we even start production, our people talk with OEM customers about technical standards and whether we can enhance both our product and theirs to improve our collective profit."

Often these exchanges go beyond mere marketing. GE plant engineers advise customers on upgrading their manufacturing processes. Human resources people provide tips on manpower planning, and financial specialists help with profit analysis. "That way, our customers are more likely to think of us as a total partner," says Engelman, noting that the consulting occasionally extends to the purchasing department. "We're even telling our customers how to *buy* better!"—*M.E.*

PRINTING & PUBLISHING

DOW JONES BEATS THE SLUMP/ CRASH JINX

For those in the publishing and financial services industries, 1987 was definitely a memorable year. The problem is, it was memorable for all the wrong reasons. Companies in the newspaper and magazine business will remember 1987 as the Year of the (Ad Sales) Slump, while financial firms will inevitably label it the Year of the (October 19th) Crash. In either case, the picture that emerges is one of cutbacks, dropouts, reorganization, and a considerable amount of agonizing reappraisal.

Given these two less-than-perfect universes, you might think a company involved with both publishing *and* financial services would have suffered a kind of double jeopardy, and to a certain extent, this is true. But in the case of Dow Jones—publisher of the *Wall Street Journal, Barron's,* and a host of other financially oriented publications and news services—1987 has also proven to be the Year of the (Award-Winning) Sales Force, something that should take some of the sting out of a year many feel is otherwise best rele-

PHOTOGRAPH BY CHRISS WADE

Dow Jones's Flanagan: "They do it because they relish the competition."

gated to the ranks of obscurity.

Placing either first or second in five of the seven areas of sales force quality, Dow Jones took top honors in its category, leapfrogging to No. 1 from seventh place two years ago (the last time this category was surveyed).

Needless to say, the competition was formidable: McGraw-Hill, Knight-Ridder, the New York Times, and Gannett, to name a few. These giants have all felt the crunch generated by falling ad sales, but perhaps none more than Dow Jones, since its publications target a predominantly financial audience and advertising base. In light of the instabilities in these markets, did this year's award come as a surprise to the people at Dow Jones?

"At the risk of sounding overconfident," says Bernard Flanagan, vice president of marketing for Dow Jones and head of sales for the *Wall Street Journal*, "I'd have to say no, because I know what our salespeople have had to go through since October 19."

Not that it was all one big downhill slide after Black Monday, of course, since in the weeks following October 19, the *Journal* actually sold better than ever. "We were in a weird situation right after the market fell," says Flanagan, "because even though financial advertising had pretty much dried up, we were selling tons of newspapers. The problem was, the financial advertisers just didn't have the products, so our salespeople were faced with trying to sell something that really didn't exist anymore."

In an attempt to take up the slack, Flanagan and his salespeople concentrated their efforts on general advertising—what's known in the trade as ROP, or run-of-paper—things like automotive, travel, and "anything other than financial," according to Flanagan. And although this may sound like a fairly obvious solution, Flanagan says the plan to use ROP to fill the gap left by financial advertisers was not as simple as it seems.

"At the time," he says, "we weren't sure how our general advertisers would be affected by the market situation. I mean, are people really going to buy a new Mercedes Benz or a new Jaguar if they don't feel they have the money? And if that's the case, then these companies have to ask themselves why they're advertising."

Fortunately, says Flanagan, "they didn't pull back, they kept going, and now we're running about eleven percent higher than our standard ratio."

Another facet of Dow Jones's post-October marketing plan involved finding ways to keep the company's publications competitive in the face of an expanding market, which for the *Journal* involves both newspapers and magazines.

"Most of our advertisers are magazine-type advertisers, and we see ourselves straddling the fence between being a newspaper and a magazine," says Flanagan. "We're always head-to-head with magazines like *Forbes*, *Fortune*, and even with the dailies, since we break out our regions."

When asked if this dual identity translated into a broader spectrum of potential clients for advertising, Flanagan said that it actually makes little difference, given the equally large number of publications in either field. "The competition is hotter than it's been in many years," he says, "because everybody's trying to get into our market. Newspapers have shored up their business coverage, and we're all vying for the same advertising dollars."

Considering that neither the financial market nor the publishing industry is completely out of the woods, Dow Jones really can't afford to rest on its best sales force laurels for too long, something that Flanagan is keenly aware of. As for the specter of 1987, Flanagan has this to say: "We wound up the year okay, but we're still experiencing the dropout of financial [advertising]. On the other hand, we're not that worried about it, because they'll be back when they get their act together. Until then, we'll continue to improve ourselves wherever we can, since we're aware of the competition and so are our salespeople. They're fighting for every line of ad space, and while I consider them to be highly motivated and aggressive, I truly believe they do it because—above all—they relish the competition."—*R.K.*

TRANSPORTATION SERVICES

AMERICAN AIRLINES GROWS ITS OWN SALESPEOPLE

The dilemma at American Airlines: Keep ahead in an industry that, since deregulation, has been expanding faster than at any time in its history. Most in this situation give in—they sign on new sales help and see who flies later. But American has charted a different course; it has made its hiring a step-by-step process designed to ensure that it gets the best talent available.

"The really challenging thing in our rapid-paced industry is slowing down and looking thoroughly internally and externally for the right people," says Michael W. Gunn, senior vice president of marketing. Especially internally—American likes to draw on its own when recruiting salespeople. "Any of our 65,000 employees can elect to join Passenger Sales," Gunn says. Last year, three out of four sales hires at American had worked at other jobs within the airline.

Those who want to move up to sales at American find themselves the objects of intense scrutiny. The first step is a panel interview—a number of candidates meet with a panel of assistant sales managers. "We look for people who stand out in the interview, those who show us they're competitive, because ours is a highly competitive industry," says passenger sales vice president George Mueller. "And they've got to show us that they really want a sales job." Candidates then meet one-on-one with an assistant sales manager, after which Mueller's staff knows which ones meet another prime requirement: "They must be good at personal contact," says Mueller.

The candidates are next asked to complete a written exam to demonstrate that they can effectively put their thoughts on to paper. Those from outside the company (American recruited on at least 20 college campuses last year) are asked to answer questions about the airlines. "This tells us whether they're really interested in American or if we're just one name on a list of 100," Mueller declares. The final step is an oral interview, a test of the candidate's poise, skill with words, and ability to communicate, especially to persuade.

Those who Mueller's staff feel have the stuff to become "accomplished sales reps at American," go into what's called a "primary candidate pool." From this, American's general sales manager, Jack Williams, selects those who are actually hired, as needed. Last year, about 75 candidates got jobs, a high number for recent years, bringing the total sales force to a record 247 assigned to 57 sales districts.

"Our selection process is far from typical. It's far more structured than what we had in the past," says Gunn. Deregulation has changed his sales force's demographics, he adds: The average age of salespeople is now just 37; 82% have a college degree or some

American's Gunn (l., with George Mueller): Deregulation has changed his sales force's demographics.

PHOTOGRAPH BY PHIL HUBER/BLACK STAR

college training; and 47% are female.

Once it hires salespeople, American puts them through a vigorous training program. Overseen by Frank Morgiello, American's training chief whose duties also include supervising the hiring process itself, the program includes fundamentals and the sophisticated. There are courses on professional selling, negotiating, account development strategies, sales techniques, presentations, and telephone selling. Added last year was a Quality Workshop in which American's salespeople learn to capitalize on the reputation of the carrier's service and products, such as the computerized reservations system Sabre, instead of just pricing.

The hundreds of applications for a job in sales received last year from American employees were, Mueller notes, largely the result of a deliberate effort to get people thinking about selling for the company. "One of the things every company sales force needs to do is make sure it tells its story to all employees. There are a lot of people in any company who could be very competent sales reps, but they've never thought about the possibility. We make sure that our salespeople interface with others at American to get interest stimulated."

Indeed, the airline will need to keep those applications coming in. American expects to grow by about 18% this year—the same percentage as in 1987—three times the amount predicted for the industry. Last year saw improved service at three new hubs: Raleigh-Durham, Nashville, and San Juan. The year also saw a highly successful blending of its new acquisition, AirCal, into West Coast operations. In addition, more attention was paid to commercial accounts, that is, company traffic managers and corporate travel decision makers, a market that American once left chiefly to others.

The airline also began looking abroad, a move hailed by industry observers who considered it too long in coming. "Last year," says Mueller, "was our first as a major player in Europe. And we were in Tokyo for the first time." The year brought the carrier revenues of $7.1 billion with net profits of $198 million (not the best profit performance it has had due to the AirCal purchase and additions to its fleet of planes).

In this year's best sales force survey, American was cited also for its reputation among customers. That doesn't surprise Tim Margera, who makes wholesale purchases of airline tickets for Olson-Travelworld, a leading Los Angeles travel agency. "The American Airlines rep I deal with, Jim Pappas, is about the most knowledgeable salesman I know. He's always available, which is vital in this business." Margera, however, isn't totally happy with the airlines, including American. "Their domestic pricing is too damn idiosyncratic, but that's another story," he says. "As for Jim Pappas, young salespeople could learn a lot from him about what makes a customer happy."—*A.B.* □

WHEN SALESPEOPLE OWN THE CARS, THE COMPANY RIDES HIGH

Tax provisions and insurance are just two reasons why employee-provided cars are worth serious consideration.

BY MICHAEL W. BASSI

Does it pay to have salespeople own the cars they drive?

Headaches of reimbursement have kept many companies away from the idea, but there are signs that this attitude is changing. Tax-related regulations and the need to free corporate capital and cut administrative costs have nudged management toward employee ownership of cars. What's more, executives are finding that, once they apply themselves, it isn't difficult to run reimbursement plans that save the company money and are fair to the salespeople on the road.

Responses by more than 2,000 fleet managers to a recent Runzheimer International survey reveal that more companies changed their business car programs in 1987 than in the previous four years. The percentage of companies where only employee-owned vehicles are used jumped to 12% from 7% in 1985, the time of the last such survey. Another 22% combine employee ownership with company-leased or owned vehicles. Among those with strictly employee-provided cars, 82% said they were used by salespeople.

Ever since the Tax Reform Acts of 1984 and 1986, fleet managers have been reexamining the merits of providing company-owned cars for field salespeople and other employees. The IRS now requires drivers to treat personal use of a company car as income, so an employer with this sort of plan faces an ever mounting pile of paperwork. First, management must come up with an annual value for the vehicle, then determine the percentage of time that the salesperson drives it for personal use. Multiplying the two figures yields the "personal value" of the vehicle to the salesperson, which either must be billed to him or reported on his W-2 as income. Obviously, this is not the first choice, either for management or for the field sales representative.

In contrast, the tax laws have not affected how companies reimburse people for using their own cars for business. IRS fringe benefit values do not apply because the company doesn't own the vehicles. Thus there's an immediate incentive to go this route. Also, with employee ownership, companies need not invest their capital in a fleet of vehicles nor pay the management fees associated with leasing programs.

Rising premiums for corporate liability insurance have affected fleet car

Trends in Reimbursement

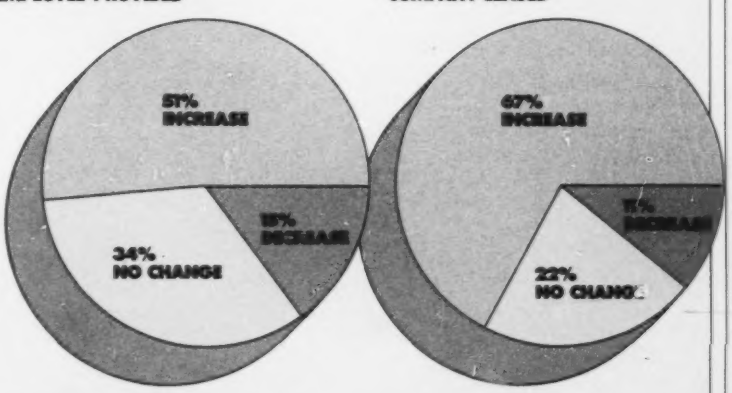
PROGRAMS USED BY COMPANIES WITH EMPLOYEE-PROVIDED CARS

	% OF RESPONDENTS		
METHOD OF REIMBURSEMENT	**1983**	**1985**	**1987**
Mileage plus fixed amount, varied by geographic location	33%	35%	42%
Flat mileage reimbursement only	29	25	27
Fixed amount plus fuel costs	13	13	11
Mileage plus fixed amount	9	14	10
Fixed amount only	11	9	7
Sliding scale mileage reimbursement	5	4	3

SOURCE: RUNZHEIMER INTERNATIONAL.

Contrasting Costs

CHANGES IN PER CAR COSTS, 1986 vs. 1987, UNDER TWO TYPES OF PROGRAMS



SOURCE: RUNZHEIMER INTERNATIONAL.

ILLUSTRATIONS BY CHRIS REED

programs, too. Employers often find that their automobile insurance costs are reduced when the employee carries the primary policy on his business car. Corporate lawyers also see employee ownership as a way to help companies distance themselves from potential legal action.

Best of all, perhaps, the overall cost of a fleet program is less when employees provide the cars. For one thing, they have a vested interest in controlling costs. For another, administration is kept to a minimum, and there is no cost for cars standing idle as a result of redeploying the field sales force. Even the savings afforded by fleet purchases and leasing are gradually diminishing. Today a fleet manager may be able to get cars for about $200 under dealer cost, but an individual salesperson often can buy the car of his choice for $100 over dealer cost. In the grand scheme of things, this difference may not seem significant.

From the salesperson's standpoint, owning his own office on wheels can be a big boost to morale. He can select his own car and accessories, eliminating a source of much complaint when the company does the choosing. Because of fleet car downsizing programs, this has become particularly bothersome in recent years, and it's likely the din will grow louder under programs where the company provides the cars.

Some companies hesitate to "take cars away from the sales force," of course, because they have been recognized as perks for so many years. In industries where competition for sales talent is keen, this still may be a prime consideration.

Even with the strong emotions attached to company-provided car programs, however, two trends in management point toward increased ownership of vehicles by employees. One is the desire of many in top management to run "lean and mean." The other is their insistence on having people drive and maintain their cars more responsibly.

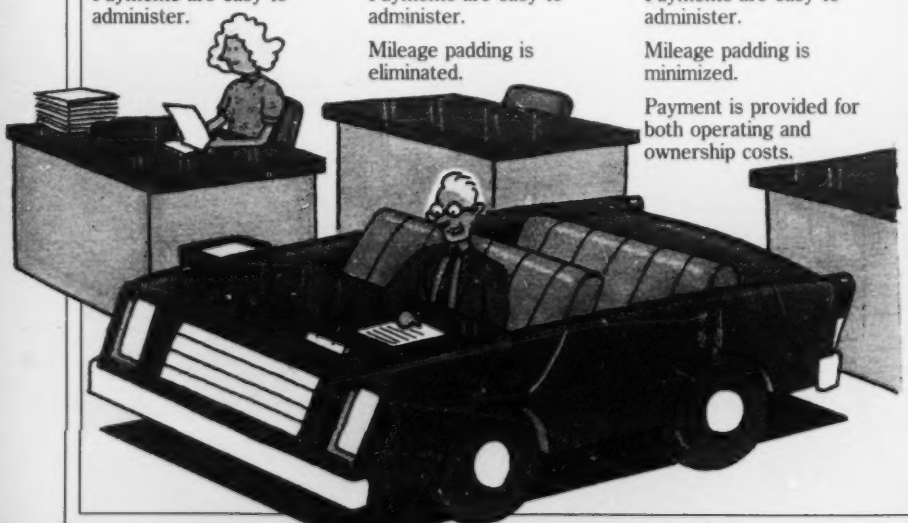
Historically, the main problem with employee-ownership of cars has been that company reimbursement plans didn't treat everyone fairly. Here, management simply has to make a choice between going by the published IRS rates or developing other criteria. The IRS rate may be the easiest, but in most cases it's not fair to all drivers.

For example, the rate of 22.5¢ per mile for the first 15,000 miles and 11¢ thereafter can never be applied equitably to both high- and low-mileage drivers on the same sales force. Nor can it compensate for the dramatic difference

Four Ways to Pay

METHODS OF REIMBURSING SALESPEOPLE WHO USE THEIR OWN CARS FOR WORK

MILEAGE ALLOWANCE	FIXED ALLOWANCE	FIXED AND MILEAGE ALLOWANCE	AUTOMOBILE STANDARD COST
For Example: 21.0¢ per mile.	For Example: $325 per month.	For Example: $220 per month plus 8¢ per mile.	For Example: A dollar a month plus per mile rate, tailored to recognize geographical cost differences.
Advantages			
Payments are easy to administer.	Payments are easy to administer. Mileage padding is eliminated.	Payments are easy to administer. Mileage padding is minimized. Payment is provided for both operating and ownership costs.	Reimbursements are accurately tailored to fit costs according to geographic location. Reimbursement is provided for both operating and ownership costs. Reimbursement policies are easily explained to drivers. Reimbursements are regularly updated as cost changes occur. Reimbursements are easy to administer because drivers report only business mileage. Incentives to pad business mileage are removed. Operation of late model cars is assured.



in costs between geographic areas. The annual cost for a 1988 midsize car in Los Angeles is $5,559, more than $1,100 above the level in Kansas City. A single reimbursement formula obviously won't work here.

That's why many companies with employee-owned vehicles rely on a method called Automobile Standard Costing to establish their reimbursements. As the table below shows, ASC has many advantages over traditional reimbursement formulas. It tailors payments to each geographic territory, yet it's easy to administer because the salesperson reports only business miles on his expense report.

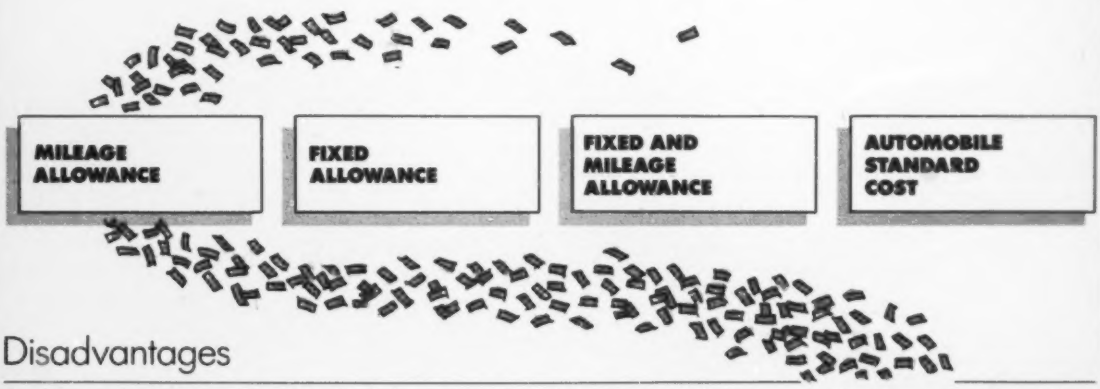
Besides reimbursing drivers equitably for operating costs, ASC also provides a painless way to account for the ownership costs incurred by field sales representatives who have their cars available for both business and personal driving. The percentage of ownership costs not absorbed by the company simply becomes the ownership charge to the driver for personal use.

Management can set this percentage at whatever level it deems equitable. For instance, if a driver uses his car for business five days a week and personal matters for two, the percentages are 71.4% and 28.6%, respectively. In combination with reimbursement for operating expenses, monthly payment for ownership costs removes the inequities of a straight mileage plan. That's because about 13¢ of the standard 22.5¢ IRS allowance is intended to cover fixed costs. Thus, under a traditional program, the low-mileage driver loses out because he doesn't run up enough miles to recover those costs, whereas the high-mileage driver reaps a benefit long before he reaches the 15,000-mile level.

Using ASC to pay a monthly sum to each driver based on location plus a cents-per-mile payment for every business mile claimed obviously has its attractions. Bear in mind, too, that a program of this sort gives salespeople a real incentive to take better care of their vehicles. Pride of ownership alone will make them think twice before hitting the railroad crossing at 60 mph.

This is a welcome change from programs where the company provides the vehicles. Under them, the best performers get nothing, and the worst benefit by having the company foot the bill for their costly car care. □

Michael W. Bassi is director of marketing with the transportation division of Runzheimer and Co., a subsidiary of Runzheimer International, a Rochester, WI, consulting firm that specializes in travel and living costs.



Disadvantages

MILEAGE ALLOWANCE	FIXED ALLOWANCE	FIXED AND MILEAGE ALLOWANCE	AUTOMOBILE STANDARD COST
A mileage reimbursement is used to reimburse both operating and ownership costs.	A fixed reimbursement is used to reimburse both operating and ownership costs.	The same set of rates applies to all drivers regardless of their location.	Requires a commitment by management to keep the program viable and up-to-date.
The same rate applies to all drivers regardless of their location.	The same rate applies to all drivers regardless of their location.	Reimbursement policies are not explainable to drivers.	
Reimbursement policies are not explainable to drivers.	Reimbursement policies are not explainable to drivers.	Reimbursement is inflexible and static.	
Reimbursement is inflexible and static.	Reimbursement is inflexible and static.	No control is exerted over the age and type of car.	
Mileage padding is encourage.	No control is exerted over the age and type of car.		
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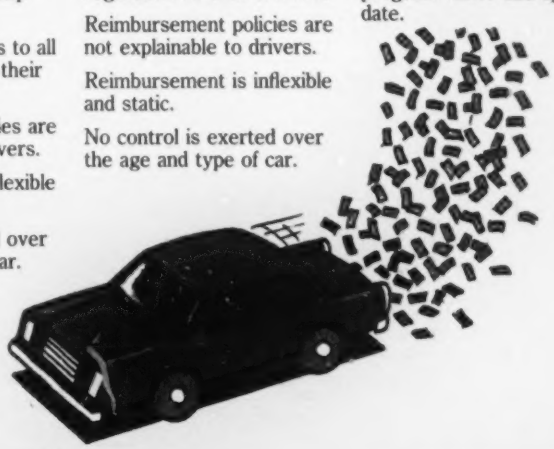


SOURCE: RUNZHEIMER INTERNATIONAL

SOFTWARE SCUTTLE: "SERVERS" AND SALES

"Network 'servers' are going to be one of the most rapidly growing categories of the early 1990s, and this is their breakout year," predicts William Zachmann, vice president, research for International Data Corp., the Framingham, MA, hi-tech market researcher. (Part of the software, servers interpret and convert document coding, enabling documents to pass through what are otherwise incompatible local area networks [LANs]).

Speaking at the firm's series of industry briefings, Zachman declared, "With microprocessors growing in speed and power, small disk drives growing in capacity, and software like Microsoft's OS/2 LAN Manager becoming available, servers are improving rapidly in both power and function. They will offer some of the best opportunities to tap low-cost microprocessor power for bigger applications. This year and next will find many vendors introducing them, from basic file and print servers up to sophisticated database machines, high-speed computational processors, communications bridges, gateway processors, and even AI [artificial intelligence] types."

Other predictions and cautions:

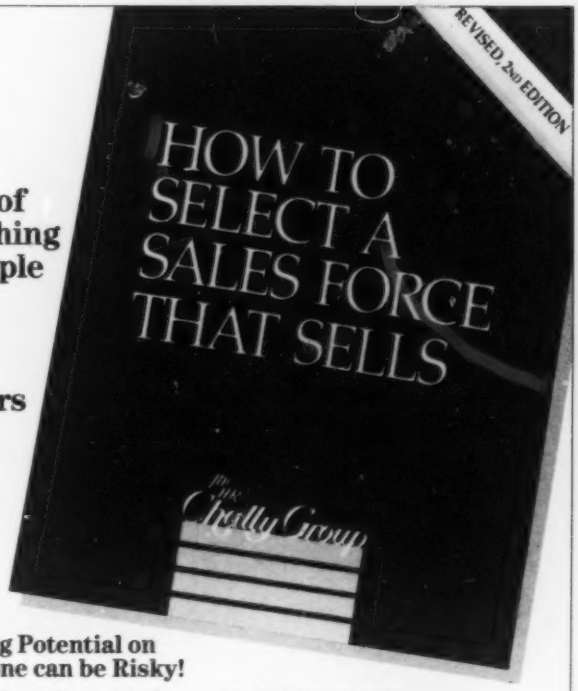
- Expect PC prices to edge downward. "As the supply of machines based on Intel's new chip catches up with demand, and a wider selection of more aggressively priced products becomes available from more vendors, price pressure is likely," maintains Zachman.
- According to David Moschella, vice president, expect computer industry hardware sales to rise 6%-9% this year; in addition, PCs will do considerably better, up 12%-16%; minis about average, 4%-8%; and mainframes will continue to trail, 0%-4%. Last year, PCs accounted for one-third of industry shipments, adds Francis R. Gens, analyst.
- Don't be stampeded by vendors into prematurely buying the new generation 386-based PCs that will use the OS/2 operating language. "Such products are not yet real since OS/2 will not be a product this year," insists Aaron Goldberg, vice president of microcomputer service, "and benefits are less real." Stressing that users "should not view the new PCs as mere upgrades," he urged, "look for ways to develop a corporate edge based upon the new technology and its capabilities. Target the departments or user groups that will need these products first."

SIZE A FACTOR IN MARKETING'S USE OF OFFICE AUTOMATION

Small and large-size marketers are approaching office automation from different directions. Marketing/sales departments in establishments with 100-999 employees are more likely to use advanced office systems (AOS) for word processing, electronic mail, document filing and retrieval, and spreadsheet applications than sites with one thousand or more employees, according to a survey by Dataquest, a San Jose, CA, hi-tech research firm. Their peers in larger sites are more deeply into database management, business graphics, desktop publishing, and voice messaging applications.

Dataquest surveyed MIS (management information systems) directors or their equivalents in 400 firms to gauge the extent to which eight corporate functions (accounting, purchasing, administration, human resources/personnel, marketing/sales, manufacturing/operating, engineering/R&D, and

Reduce the Risk of Mismatching Salespeople to your Markets and Customers



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MIS/data processing) use AOS. In the smaller companies, marketing/sales ranked third, with 85.6% penetration; among the larger companies, marketing/sales, with 76.5% penetration, ranked seventh, trailed only by the purchasing function.

However, marketing/sales departments set the pace in several application areas. Among larger sites, marketing/sales led all other departments in voice messaging, business graphics, and database management. Marketing/sales also led in voice messaging among smaller firms.

Dataquest's survey shows AOS more widespread among smaller sites than larger ones. Research analyst Krystyna Filistowicz thinks this may be because smaller sites disperse AOS among different departments, while larger ones base it in a central facility to serve the needs of various corporate departments. She also cautions that only sites with installed AOS were included in the survey, thus it does not represent the universe as a whole.

Filistowicz could not say whether the marketing/sales function included field sales or was limited to the staff function. "We left that to the respondent's discretion," she said.

Marketing/Sales Use of Advanced Systems

	PERCENTAGE OF USE			
APPLICATION	SMALL SITES	INDEX	LARGE SITES	INDEX
WORD PROCESSING	97.4%	100	93.9%	100
ELECTRONIC MAIL	96.1	103	95.5	101
DOCUMENT FILING/RETRIEVAL	85.7	102	83.3	101
SPREADSHEETS	84.4	106	77.3	108
CALENDARING/SCHEDULING	80.5	108	80.3	99
DATABASE MANAGEMENT	62.3	102	78.8	119
BUSINESS GRAPHICS	58.4	106	68.2	124
DESKTOP PUBLISHING	32.5	116	43.9	127
VOICE MESSAGING	14.3	158	22.7	157

Note: Index computed by dividing the marketing/sales percent figure by comparable figure for all small or large sites.
Sources: Dataquest, S&MM (index calculations).

HYBRID PC SPEEDS NEW PRODUCT INTROS

Time was when transmitting graphic images and schematic drawings from computer to computer was difficult at best. But no more, at least if Evelyn Seltzer Wilk, head of her own Chicago-based consulting firm, is correct. Wilk's concept of "personal workstations" would combine features of powerful PCs used in the office with those of graphically sophisticated technical workstations used by engineers for computer-aided design (CAD) and manufacturing applications. This means improved communications between marketing and technical departments with smoother, error-free new product programs.

This hybrid workstation will, according to Wilk, bring greater automation to the product development and

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